

FISCAL NOTE

SB 307 - HB 939

February 26, 2007

SUMMARY OF BILL: Requires any funds received by the state after the General Assembly has adjourned to be held in a reserve account until appropriated by the General Assembly. Does not apply to funds received from the federal government and earmarked for specific purposes or to funds expended in cases of emergency declared by the governor.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact – The fiscal impact of this bill is dependent upon the General Assembly convening for special sessions to make appropriations for certain expansion funds. If such special sessions were held, the increase to state expenditures is estimated to be \$100,000 per week. If the General Assembly elected to not convene for such special sessions, some expansion funds would be held in reserve until the General Assembly appropriates such funding in the subsequent session. This impact is dependent upon two unknown and offsetting factors: future rates of inflation and future interest earnings. A portion of state expenditures are price sensitive within a fiscal year (e.g. gasoline and certain utilities). It is estimated that any increase to state expenditures resulting from inflation would be offset by increased interest earnings resulting from a longer investment horizon on funds held in the state treasury. As a result, the net fiscal impact of this scenario is estimated as not significant. In addition, the ability of departments to obtain private grants may be jeopardized.

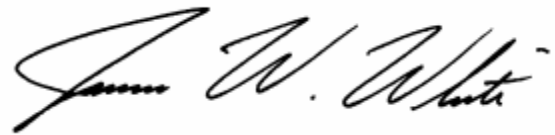
Assumptions:

- Private funding, interdepartmental transfers of earmarked federal funds, funds expended for emergencies, and net lottery proceeds from the Tennessee Education Lottery Corporation are not subject to the provisions of this bill.
- Enactment of this bill could require the General Assembly to convene for special sessions for the purpose of appropriating expansion funds.
- The increase to state expenditures resulting from special sessions is estimated to be \$100,000 per week.
- Enactment of this bill could delay certain expenditures normally funded with revenues obtained after the General Assembly adjourns.

- Based on recent trends, state expenditures expected to be postponed as a result of this bill are estimated to exceed \$3.0 million per year.
- Postponing expenditures of at least \$3.0 million is expected to have some inflationary impact. However, any inflationary impact is expected to be offset by increased interest earnings resulting from a longer investment horizon.
- According to Finance and Administration, the ability of some programs to close its books for the fiscal year would be impeded.
- Enactment of this bill could jeopardize the ability of departments to obtain funding from private grants.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director